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FOREIGN SERVICE DESPATCH

F790004-1387

FROM : AMEMBASSY, GUATEMALA

578
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON

January 1, 1953

REF : --

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SUBJECT: WEEKA NO. 1 - ECONOMIC SECTION

SECTION II

Most economic activities came to a near standstill during the holiday week and there are no signific nt current developments to report.

The Guatemalan economy at the end of 1952 was relatively sound. Foreign exchange reserves were $40,000,000 compared to $42,000,000 at the end of 1951, and coffee prices and production continued to be high. Although fear of the effects of the Agrarian Reform Law continued to depress business activities and private investment, agricultural production had not been noticeably affected as of the end of December, and private farmers reported that labor was freely available. However, the Government's partiality toward labor and its fraternization with Communism were discouraging all long-term private investment plans. The Government's poor financial condition persisted and no progress had been made in consolidating or paying off its internal debt, last reported at $25,000,000 as of June 1951. Construction of the Atlantic Highway between Guatemala City and Puerto Barrios, long retarded by lack of equipment, had begun to pick up momentum as practically all the heavy machinery ordered had arrived, but speeding the work on the Pan American Highway awaited the outcome of negotiations for the renewal of United States financial assistance.

1953 prospects are clouded by uncertainty regarding the manner in which the Agrarian Reform Law will be applied. While agriculture's dominant position has not yet been affected and the expected large 1952 coffee and banana harvest will provide the country's foreign exchange needs, the outlook for business and investment remained poor. The expropriation of private farms is scheduled to begin

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From

F790004-1388

in 1953 and to the extent that this succeeds in changing the pattern of land ownership it may affect the availability of labor and the nature and volume of agricultural production upon which the country's economy depends.

For the Ambassador:

William L. Krieg
Counselor of Embassy

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